

Message Text

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TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 086145

FOR ASSISTANT SECRETARY ENDERS

FOLLOWING REPEAT ABU DHABI 0807 SENT SECSTATE INFO ALGIERS
BRASILIA CARACAS DOHA JAKARTA JIDDA KINSHASA KUWAIT LAGOS
NEW DELHI TEHRAN TOKYO TRIPOLI QUITO VIENNA EC BRUSSELS
DATED APRIL 14.

QUOTE

C O N F I D E N T I A L ABU DHABI 0807

DEPARTMENT PASS TREASURY FOR PARSKY

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJ: UAE POSITION ON PRODUCER/CONSUMER CONFERENCE

REF: ABU DHABI 650

SUMMARY: UAE MINPET OTAIBA TOLD TREASURY ASSTSEC PARSKY
APRIL 12 THAT UAE BELIEVES ENERGY QUESTION CANNOT BE ISOLATED
FROM OTHER ECON ISSUES IN PRODUCER/CONSUMER CONFERENCE.
DISCUSSIONS OF ISSUES SUCH AS OTHER RAW MATERIALS MAY BE
HELD IN SEPARATE COMMITTEES AND SOLUTIONS NEED NOT BE REACHED
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CONCURRENTLY, BUT WL SHOULD BE UNDER ONE UMBRELLA AND FORWARD

MOVEMENT OCCURRING WITH ALL. END SUMMARY.

1. IN ADDITION TO COVERING PRIME TOPIC OF USG POLICY TOWARD ARAB INVESTMENT IN U.S. (SEPTIL), TREASURY ASSISTANT SECRETARY PARSKY ALSO DISCUSSED PRODUCER/CONSUMER DIALOGUE DURING COURSE HIS TWENTY-FOUR HOUR VISIT TO UAE. IN CALLS APRIL 12 ON BOTH ACTING FOREIGN MINISTER SAIF GHOBASH AND MIN PET MANA AL-OTAIBA, PARSKY OFFERED TO BRIEF HIS HOSTS ON PARIS PREPCON. ASST SEC HAD TO NOTE THAT HE LEFT PREPCON APRIL 11 BEFORE CONCLUSION, BUT HE WAS ABLE OUTLINE AREA OF DISAGREEMENT WHICH QUITE CLEAR BEFORE HIS DEPARTURE.

2. PARSKY NOTED BY WAY INTRODUCTION, THAT USG REALIZED SOME TIME AGO BOTH THAT DIALOGUE NECESSARY AND THAT IT COULD NOT BE LIMITED JUST TO SUBJECT OF PRICE OF OIL. RATHER U.S. BELIEVED INTERRELATIONSHIP OF ISSUES HAD TO BE COVERED, HENCE OUR PROPOSAL OF GENERAL HEADING OF QUOTE ENERGY AND ENERGY RELATED MATTERS UNQUOTE. IN ADDITION TO QUESTIONS OF PRODUCTION LEVELS, PRICING, ETC., THIS IN OUR VIEW WOULD HAVE TO INCLUDE THREE BASIC POINTS: (A) ECONOMIC DEVELOPMENT OF PRODUCERS; (B) PRODUCERS' PLANS FOR EXTERNAL INVESTMENT; AND (C) PRODUCER/CONSUMER JOINT EFFORTS IN SUPPORT THIRD COUNTRY DEVELOPMENT. PARSKY STATED THAT USG HAD BEEN ABLE TO ACHIEVE GENERAL AGREEMENT WITH OTHER CONSUMERS ON THIS BROADER FOCUS. BUT HE ACKNOWLEDGED THAT, IN RETROSPECT, PERHAPS MORE SHOULD HAVE BEEN DONE BEFORE PREPCON TO DEFINE WITH PRODUCERS SCOPE OF DIALOGUE. HE NOTED THAT, AS IT DEVELOPED, AT PREPCON, OPEC/LDC'S WISHED TO GO FURTHER -- THEY WANTED CONFERENCE TO FOCUS ON ALL RAW MATERIALS AS WELL AS OTHER ISSUES -- IN EFFECT THEY WANTED SOLVE ALL ECONOMIC PROBLEMS AT ONCE.

3. PARSKY NOTED THAT THIS TURN OF EVENT WAS REGRETABLE. CONSUMER POSITION WAS NOT TO EXCLUDE OTHER SUBJECTS AS THEY RELATE TO PRESENT SITUATION. CONSUMERS PREPARED CONSIDER ALL ISSUES OF CONCERN TO ANY OF PARTICIPANTS, BUT THAT IS NOT SAME THING AS PROPOSING THERE BE SEPARATE TREATMENT OF RAW MATERIALS, MONETARY REFORM AND LIKE. MANY OF THESE ISSUES, MOREOVER, ALREADY SUBJECT TO CONSIDERATION BY OTHER FORA. THEREFORE, PRESENT DIALOGUE SHOULD CONCENTRATE CONFIDENTIAL

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ON ECONOMIC, FINANCIAL AND ENERGY ASPECT OF PRESENT SITUATION. PARSKY CONCLUDED BY NOTING THAT UNFORTUNATELY GLARE OF PRESS SPOTLIGHT ON PRECON ONLY SERVED TO HARDEN POSITIONS AND MAKE ACCOMMODATION MORE DIFFICULT, BUT HE STILL HOPEFUL THAT SOLUTION COULD BE ACHIEVED.

4. OTAIBA'S RESPONSE WAS MORE COMPLETE AND PRECISE THAN THAT OF GHOBASH, BUT THRUST OF BOTH WAS SAME. OTAIBA

NOTED

THAT AT ALGIERS IT WAS AGREED THAT SINCE OPEC HAD NOT CHOSEN FOUR MEMBERS TO GO TO PARIS, THEY WOULD BE CONSIDERED AS SPEAKING FOR THEMSELVES, NOT FOR OPEC AS WHOLE. BUT ALL HAD AGREED THAT OIL CANNOT BE ISOLATED AS SEPARATE ISSUE. IT AS PART OF OVERALL RAW MATERILS QUESTION, AND MOST AGREED THAT WAY TO HANDLE THIS LINKAGE WAS TO HAVE PRODUCER/CONSUMER CONFERENCE CONSIDER ALL ISSUES. THEY NEED NOT ALL BE SOLVED AT ONCE AND IT WAS RECOGNIZED THAT OIL MORE "URGENT" THAN SOME OTHERS. OTAIBA SUGGESTED THAT SUBCOMMITTEES COULD DEAL WITH VARIOUS OTHER RAW MATERIALS AS WELL AS ISSUES SUCH AS MONETARY REFORM. PROGRESS NEED NOT BE EVEN ON ALL; OIL COULD BE SOLVED FIRST SO LONG AS THERE WAS MOVEMENT ON OTHERS. AS OTAIBA PUT IT QUOTE WE NOT ASKING FOR IMPOSSIBLE. IF WE WANTED TO SHOUT, WE SHOULD STAY HOME, RELAX AND SHOUT. WE SHOULD NOT BE GOING THROUGH EFFORT OF CONFERENCE UNLESS WE WANTED TO SEE RESULTS UNQUOTE.

5. IN ENSUING EXCHANGE, OTAIBA REFUTED POINT RE DUPLICATION OF OTHER FORA BY NOTING THAT WHILE THESE BODIES WELL-INTENTIONED, THEY HAD NOT MADE MUCH PROGRESS TO DATE. PRODUCERS PREPARED INCORPORATE WORK DONE ALREADY AND TO USE EXISTING EXPERTS, BUT PROGRESS HAD TO BE MADE. HE CITED EXAMPLE OF UAE EFFORTS GET JAPANESE TO ESTABLISH AUTO ASSEMBLY PLANT HERE. SO FAR JAPANESE KEEP DUCKING -- THEY REFUSING SHARE TECHNOLOGY. AND THIS JUST ONE EXAMPLE OF FAILURE OF EXISTING SYSTEM. IN RESPONSE TO PARSKY'S POINT RE DIFFICULTY HANDLING SO MANY ISSUES IN ONE CONFERENCE

(THOUGH PARSKY AGREED MOVEMENT ON VARIETY OF ISSUES NEEDED), OTAIBA REITERATED VIEW THAT ISSUES COULD BE CONSIDERED IN SEPARATE SUBCOMMITTEES AND THAT PROGRESS NEED NOT BE UNIFORM. BOTH OTAIBA AND GHOBASH MADE POINT THAT
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PRODUCERSHAD TO BE ABLE SHOW LDC'S THAT THEY (THE PRODUCERE) WERE NOT JUST MINDFUL OF PROBLEMS OF DEVELOPING COUNTRIES. AS GHOBASH PUT IT, CONSUMERS MUST APPRECIATE PSYCHOLOGICAL ASPECTS OF SITUATION; PRODUCERS MIGHT ACKNOWLEDGE THAT ENERGY PROBLEM OF PRIME IMPORTANCE BUT THEY COULD NOT CUT SELVES OFF FROM THIRD WORLD. SOME FORM OF INDEXING, PREFERABLY NOT TOO RIGID, HAD TO BE INCORPORATED. PARSKY RESPONDED BY NOTING THAT POSITIONS NOT REALLY THAT FAR APART -- THAT CONSUMERS WERE NOT ASKING QUOTEWHAT CAN YOU DO FOR US UNQUOTE BUT QUOTE WHAT WE, CONSUMERS AND PRODUCERS, CAN DO FOR EACH OTHER AND FOR REST OF WORLD UNQUOTE. PARSKY IN EFFECT CONCLUDED BY NOTING HIS CONTINUED HOPE FOR A DIALOGUE AND IN FACT FOR SOME FORM OF COMPROMISE SOLUTION TO PREPCON IMPASSE.

6. COMMENT: WHILE UAEG, AS OUTLINED BY OTAIBA, OBVIOUSLY
CLOSELY IN CONFORMITY WITH GENERAL OPEC VIEWS, IT SDUS

GENUINELY INTERESTED IN SEEING PROCEDURES ESTABLISHED WHICH

WILL ENABLE CONFERENCE TO MAKE PRACTICAL PROGRESS.
IN THIS CONNECTION, OTAIBA SUGGESTION FOR SEPARATE
COMMITTEES WORKING AT THEIR OWN PACE STRIKES US AS
SENSIBLE WAY OF BREAKING PROCEDURAL IMPASSE.
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UNQUOTE KISSINGER

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